

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

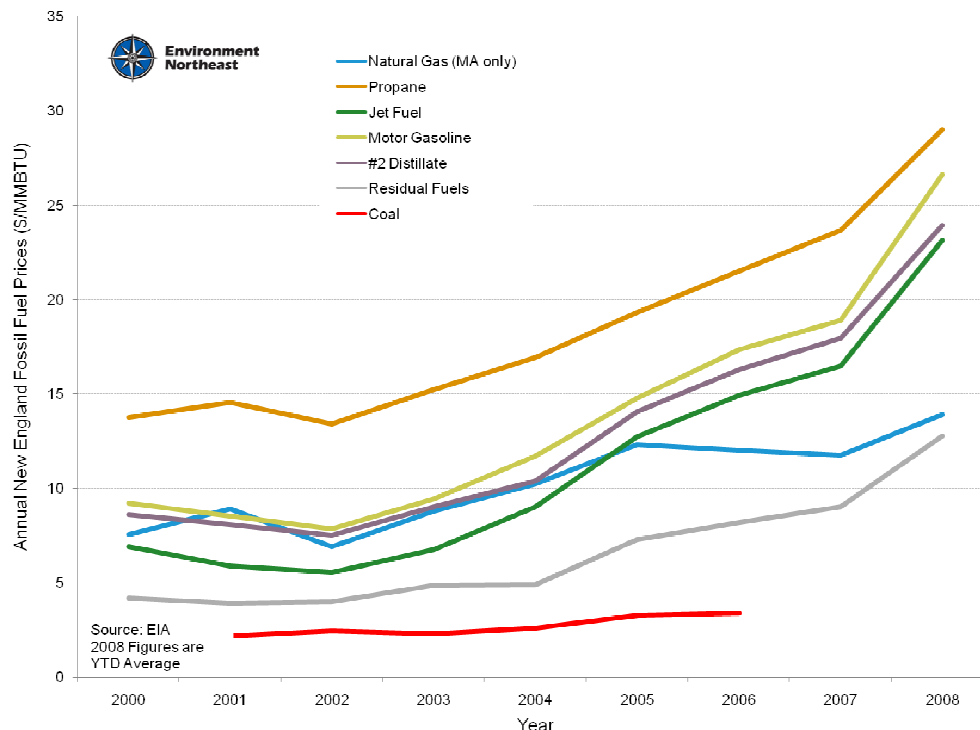
D.P.U.; Increased Funding for Residential
Heating Programs and Related Electric and
Natural Gas Energy Efficiency Program
Dockets (see docket numbers below)

COMMENTS OF ENVIRONMENT NORTHEAST
CONCERNING UTILITY EFFICIENCY PROGRAM FUNDING INCREASES

I. GENERAL COMMENTS (INCREASED FUNDING
FOR RESIDENTIAL HEATING PROGRAMS)

Environment Northeast (“ENE”) appreciates the opportunity to comment on this proceeding and strongly supports the goal of immediately increasing energy efficiency offerings to residential and in particular low-income customers. ENE agrees with DOER’s assessment of the problem and the need for expanded programs. The heating season crisis is real; normal late-summer drops in energy prices and short-term fluctuations in spot and/or futures prices of petroleum products should not divert our attention from the fact that energy prices over the last few years have skyrocketed and still remain near historical highs. As the figure below shows, fossil fuel prices are significantly higher for all products.

Figure 1: Annual Average Fossil Fuel Prices in New England



These fossil fuel price increases directly affect consumers of natural gas, and especially users of petroleum-based heating fuels like heating oil and propane, while also having an impact on electric prices with natural gas predominantly on the margin. With the downturn in the economy, homeowners, renters, and in particular low-income customers are having a harder and harder time paying higher energy bills. This struggle has been well documented in the news media and MA policy makers are right to try and address this issue as soon as possible. For these reasons, ENE is supportive of the near-term focus on residential and low-income energy use during the heating season.

As energy prices rise, energy efficiency investments become much more cost-effective. The spread between supplying customers with another unit of energy and helping them save a unit of energy is growing larger and larger. Electricity supply (*i.e.*, generation) is now costing customers as much as 12 cents per kWh while efficiency investments can still save a kWh for 3 cents. A similar spread exists for natural gas efficiency programs and it is even greater for petroleum based fuels, making low-income weatherization that treats all energy use including oil heat that much more cost-effective.

ENE strongly supports expanding programs for residential customers in the near-term. However, we also wish to highlight that with rising energy costs, efficiency programs can provide large benefits to all classes of customers. If utilities are willing and able to expand programs cost-effectively for customer classes beyond residential customers, ENE supports such an effort. As DOER states in its July 16, 2008 letter, the Green Communities Act gives the state many new opportunities to expand cost-effective energy efficiency programs. ENE believes that the Commonwealth should move quickly to address all customer classes and should do so in a coordinated manner across fuel uses.

A. Coordinated Low-Income Expansion

The Green Communities Act requires the procurement of all cost-effective energy efficiency for both electric and natural gas customer classes.¹ It also calls for these efforts to be coordinated across fuel types through the exploration and expansion of joint-fuel programs.² This is particularly important in the case of low-income programs where it makes the most sense to run comprehensive weatherization and efficiency programs that treat all energy uses in a house at one time. ENE believes that any near-term efficiency program expansion in 2008 should have a particular focus on comprehensive fuel-blind efficiency programs for low-income customers. Time is short to develop plans for expanded programs this year, but ENE believes a more coordinated effort should be developed across utilities for the low income programs. While there has been considerable attention to the impending crisis in the upcoming winter, ENE urges the Department also set its sights on the establishment of programs that will result in sustained reductions in energy consumption. Investing in energy efficiency today can reduce both the likelihood and size of future crises. Over time this should be done for all programs as envisioned in the Green Communities Act.

¹ See Chapter 169 of the Acts of 2008, § 11 (M.G.L. c. 25 § 21).

² See *id.*

Proposed funding increases across the utilities for low-income customers vary widely and ENE recommends a very rapid process to increase the consistency of funding levels and programs offered across the state. This could probably be accomplished in one day if the right people were in a room together, but ENE suggests a process along the lines of the following:

- For a given jurisdiction (town, county, CAP region, or utility territory), identify the current funding level per eligible customer;
- For each jurisdiction, identify the programs available and the ability to ramp them up immediately;
- For each jurisdiction, develop a new budget, balancing the ability to deliver expanded programs and a goal of providing roughly equivalent funding across the state
- Develop a funding plan for the new budget that includes a portion of the revenue from the RGGI auction. ENE supports the use of some of these funds as a way to even out disparities among utilities in terms of the number of low-income customers, per Fitchburg G&EL Co. comments,³ with the difference made up by additional funds from both the electric and natural gas distribution companies as appropriate based on their service territory.

ENE believes it should be the goal of the state to increase low-income weatherization and efficiency programs during the end of 2008 by at least 50% and we note that a number of utility proposals include this kind of increase (see below).

B. General Comments on Utility Filing Format

Many of the utility filings did not provide data for the 4 month, September through December period, making the proposals hard to compare and understand.

ENE has reviewed each budget filed by the companies and we have estimated the increase in spending for the four month period. While these are estimates that should be confirmed by the utilities and the Department, ENE's analysis gives a sense of the scale of the proposed efficiency investment increases. Our detailed spreadsheet is included as Attachment A, but a summary of the increased investments are shown in the table below. Note also that these percentages are the increases only for the programs being adjusted and not for all programs. Including all residential and C&I programs would reduce these percentages in many cases. Also, some utilities presented data for four months (as requested), while others presented new annual data. Thus, ENE had to average the increases in many cases, and some of the percentages may not be directly comparable.

³ See Fitchburg Gas & Electric, Letter of Gary Epler, August 15, 2008, at 2-3.

Table 1: Estimates of Utility Efficiency Program Increases for Sept-Dec 2008⁴

Electric Programs	Percent Increase
Cape Light Compact	46%
National Grid Electric	20%
NSTAR Electric	14%
Northeast Utilities - Western Mass Electric	None
Unitil - Fitchburg Electric	111%
Natural Gas Programs	
Bay State Gas Company	46%
Berkshire Gas Company	6%
National Grid Gas / Keyspan	None
New England Gas Company - Attleboro	118%
New England Gas Company - Fall River	81%
NSTAR Gas	24%
Unitil - Fitchburg Gas	25%

ENE believes the large spread in proposed program increases illustrates the need to set clearer expectations and have more coordination, especially for the low-income customers as noted above. To facilitate a more efficient and equal analysis, the Department and/or DOER should consider the development of a summary spreadsheet template and request all utilities to enter data for the four month period. Any such spreadsheet template should include an additional data point: the new proposed spending level by customer class on a per customer and per unit of energy sold basis.

C. Reductions in Program Offerings

In a few cases utility plans and budgets appear to indicate that some programs would have their budgets reduced. ENE does not support this and believes that a new commitment to efficiency should be incremental to existing programs and not shuffle money from one program to another. Proposals to eliminate or modify programs on the basis of cost-effectiveness are understandable; however, the programs that a few utilities are proposing they scale back appear to include some of the most cost-effective, such as high efficiency equipment incentives and energy star thermostats. The DPU should not approve budget reductions without good reason.

D. Green Communities Act Implementation and 2008 & 2009 Efficiency Plans

The Green Communities Act calls for the development of 3 year energy efficiency plans starting with the 2010 budget year, leaving 2009 as a transition year to the three year cycle.⁵ ENE applauds the DPU for moving to implement expanded programs for residential customers this winter, while at simultaneously requiring utilities to develop 2009 efficiency program plans as quickly as possible.⁶ In addition, the DOER and DPU should set an expectation that 2009 efficiency program investments lead to increases across the board to begin the ramp-up to

⁴ The majority of proposed increases come in the residential non low-income and residential low-income programs.

⁵ See Ch. 176 of the Acts of 2008, § 11, M.G.L. c. 25 § 21.

⁶ See DPU Memorandum, "2009 Energy Efficiency Plans," August 7, 2008.

achieve investment in all cost-effective energy efficiency. ENE believes programs in 2009 should increase by at least 50% over 2008 plans, unless there is a clear demonstration that this is not feasible. State policy makers and the utilities should be signaling to vendors that they need to start hiring and training new employees for these expanded green jobs as soon as possible.

II. COMMENTS ON ELECTRIC UTILITY PROPOSALS

The following are short comments on each utility's proposal. Please see Attachment 1 for the rationale for many of these comments.

A. *Cape Light Compact (Docket 07-47)*

- ENE appreciates the clarity of this filing, especially for the four month period in question.
- ENE supports near-term program expansion in the range of 50%.

B. *National Grid (Docket 08-8)*

- Proposal is lacking in detail, especially for the 4 month period at the end of 2008.
- ENE was surprised to see spending increases below 20% for low income programs and believes that National Grid should work with policy makers, their contractors, and weatherization administrators to do more, especially for low income customers and likely across the entire residential sector.

C. *NSTAR (Docket 08-10)*

- ENE appreciates the clarity of this filing, especially for the four month period in question.
- ENE was surprised to see spending increases below 10% for low income programs that target existing buildings and believes NSTAR should work with policy makers, their contractors, and weatherization administrators to do more. We note that there may be some overlap with their proposed natural gas programs, but nonetheless believe the investment levels should be higher.

D. *Northeast Utilities / Western Massachusetts Electric (Docket 07-85)*

- WMECO has not filed an expanded plan in this process; ENE believes the coming winter heating season must be addressed in their service territory as well and any settlement discussions related to the 2008 plan should include (as mentioned in their letter)⁷ how to ramp-up residential and low-income programs for this winter.
- With the state's new commitment to energy efficiency as a priority resource, it should not be acceptable to still be developing a 2008 efficiency program in August of 2008. ENE has not been a party to this docket and settlement but believes that the DPU

⁷ See Western Massachusetts Electric Co., Letter of Stephen Klionsky, August 14, 2008.

should move to finalize WMECO's 2008 plan including an expanded winter program as soon as possible.

E. Unitil / Fitchburg Electric (Docket 08-30)

- Fitchburg Electric has proposed an aggressive increase in efficiency program offerings, which ENE supports.
- As mentioned above, ENE supports the proposal made by Fitchburg that a portion of RGGI allowance revenue be used to fund expanded low-income programs across the state in proportion to a utilities share of eligible customers.

III. COMMENTS ON NATURAL GAS UTILITY PROPOSALS

Given the interest in aligning the efficiency program planning process with the Green Communities Act, it may make sense for all gas utility proposals to be refined to address—specifically and discretely—the four month September 1 to December 31, 2008 period. Then, companies could address the twelve month period beginning January 1, 2009 in accordance with the Department's August 7, 2008 memorandum.⁸ This would be similar to, but more detailed than the Bay State Gas proposal (see below).

A. Bay State Gas Company (Docket 04-39)

- ENE appreciates Bay State's interest in quickly developing a plan for the end of 2008 as well as 2009 so as to align their planning with the process laid out in the Green Communities Act; however, it would be helpful to clarify the anticipated expansion of programs for the rest of 2008 with a table showing previous investments versus the new proposal for the four month period.
- ENE supports near-term program expansion in the range of 50% which Bay State appears to be proposing based on ENE calculations; however the percentage increases we have calculated do not match the percentages noted in Bay State's testimony, so some clarification may be needed.
- Based on our calculations, ENE is concerned that low income programs are not being expanded at a rate similar to other customer classes and we encourage the company to work with the CAP agencies and others to maximize this investment level.

B. Berkshire Gas Company (Docket 04-38)

- To align efficiency planning with the Green Communities Act, it may make more sense to develop a new plan and budget for the September 1 to December 31, 2008 period before separately developing an initial proposal for the January 1 to December 31, 2009 period pursuant to the Department's schedule. This would also help clarify the proposed expansion of programs at the end of 2008 and a table showing previous

⁸ ENE supports the Department's effort to extend 2009 gas plans through December 31, 2009 because it will align company plans with the three year cycle set out in the Green Communities Act.

investments versus the new proposal for the four month period would be helpful for comparison.

- Based on ENE's calculations, Berkshire Gas is proposing a reduction in spending for many of their programs while increasing others; ENE does not support reducing the size of programs unless they are shown to no longer be cost-effective and all their programs are reported as cost-effective.
- ENE believes Berkshire Gas should reexamine their proposal and identify ways to expand all of their programs and increase the size of their overall programs and budgets.

**C. New England Gas Company – Attleboro and Fall River
(Dockets 04-43& 04-42)**

- To align efficiency planning with the Green Communities Act, it may make more sense to develop a new plan and budget—specifically and discretely—the four month September 1 to December 31, 2008 period before separately developing an initial proposal for the January 1 to December 31, 2009 period pursuant to the Department's schedule. This would also help clarify the proposed expansion of programs at the end of 2008 and a table showing previous investments versus the new proposal for the four month period would be helpful for comparison.
- ENE strongly supports near-term program expansion in excess of 50% which New England Gas appears to be proposing based on ENE calculations; however the percentage increases we have calculated do not match the percentages noted in New England Gas' testimony, so some clarification may be needed.
- Based on our calculations, ENE is concerned that low income programs are not being expanded at a rate similar to other customer classes and we encourage the company to work with the CAP agencies and others to maximize this investment level.

D. NSTAR Gas (Docket 04-37 & 08-36)

- To align efficiency planning with the Green Communities Act, it may make more sense to develop a new plan and budget —specifically and discretely—the four month September 1 to December 31, 2008 period before separately developing an initial proposal for the January 1 to December 31, 2009 period pursuant to the Department's schedule.
- ENE appreciates the clarity of this filing.
- ENE believes that NSTAR should reexamine its proposal and work with the CAP agencies and others to maximize the new investment levels though the rest of 2008 and into 2009. NSTAR's concerns that homeowners will not make improvements after the start of the heating season may not be accurate given higher energy prices and tougher economic times; accordingly, ENE believes NSTAR should strive to increase residential and low income funding to achieve a 50% increase through the end of the year and then propose more comprehensive program expansions for 2009.

E. Unitil - Fitchburg Gas (Docket 05-53)

- To align efficiency planning with the Green Communities Act, it may make more sense to develop a new plan and budget —specifically and discretely—the four month September 1 to December 31, 2008 period before separately developing an initial proposal for the January 1 to December 31, 2009 period pursuant to the Department’s schedule. This would also help clarify the proposed expansion of programs at the end of 2008. A table showing previous investments versus the new proposal for the four month period would be helpful for comparison.
- ENE supports the significant increases in program size for Fitchburg’s gas networks and weatherization programs, but was surprised to see that low income programs do not appear to be expanding; and we encourage the company to work with the CAP agencies and others to maximize the low-income investment level to achieve a 50% increase through the end of the year.

IV. CONCLUSION

ENE appreciates the opportunity to provide comments in this important proceeding and urges the Department to move forward with expanding efficiency programs to address the winter heating crisis.

Respectfully Submitted,

ENVIRONMENT NORTHEAST

/s/ Jeremy C. McDiarmid

Derek K. Murrow
Director of Policy Analysis

Jeremy C. McDiarmid
Staff Attorney

6 Beacon Street, Suite 415
Boston, MA 02108
(617) 742-0054
(617) 372-9494 (fax)

Dated: August 25, 2008

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

D.P.U.; Increased Funding for Residential)
Heating Programs and Related Electric and)
Natural Gas Energy Efficiency Program)
Dockets (multiple docket numbers))

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail and/or first class mail.

Dated this 25nd day of August, 2008

/s/ Jeremy C. McDiarmid

(Signature)

Counsel for
ENVIRONMENT NORTHEAST

**ATTACHMENT 1: ENE SUMMARY OF PROPOSED
EFFICIENCY PROGRAM INCREASES FOR
SEPTEMBER-DECEMBER 2008**